

## CHAPTER 10

# CONSOLIDATION BY GAME-PLAYING: A GAMESMANSHIP INQUIRY INTO FORESTRY INDUSTRY

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### 1 INTRODUCTION

If one takes a flight in Finland from the country's capital, Helsinki, for instance, north to Rovaniemi, the 'Gateway to Lapland', the scenery below consists typically of lakes, rivers and marshland, but most of all of forests. Wood in all its forms has been for centuries the core of the national character as well as the locomotive of business in Finland. Over the years the Finns have come to understand that the forest sector is perhaps the strongest guarantor of the Finnish economy and identity. The old saying 'Finland earns its living from its forests' can even be interpreted to mean 'what is good for the forest sector is good for Finland'.

Lilja, Tainio and Räsänen (1991a) encapsulated the historical essence of the Finnish forest sector by terming it a very special business system. This system was an entity composed of four principal characteristics. Firstly, the national economy was highly dependent on the export revenues from the forest industry. Secondly, there existed a high concentration of forest industry communities where the living standards of the working class were higher than in surrounding communities. Thirdly, there prevailed a symbiosis between bank groups and forest companies. Fourthly, the technological sophistication of the production and distribution networks was outstanding.

Three comments will serve to illuminate this picture. First of all, the system, especially with regard to finance, used to operate in a regulated and almost closed setting. The banks had a predominant role and the opportunities for foreign ownership were very restricted. Second, the strategic activity in the top one hundred largest companies was based on sphere governance. The spheres were bank-related groupings of firms interconnected with ownership ties. In 1980 there were still six spheres of this kind operating in Finland. The spheres competed with each other for power and status in national business life, each 'owning' forest companies, even flagship ones. Finally, in spite of the combative overall atmosphere, there was a lot of calculated co-operation between key forest companies from different spheres (see Ojala and Lamberg, in this volume). For instance, they established and ran together joint sales associations for decades. It is safe to assume that cartels were not rare in those days.

Some twenty years ago cracks appeared in this fine-tuned mechanism and its collapse ensued. We may divide this development into two major stages, the first taking place from around 1985 to 1995 and the second from that year to the present. The first stage was a period of real turmoil; it could even be called a pre-capitalistic period with the spheres actively plotting against each other. The second, then, could be characterized as a time of capitalism and open markets with real competition. In this chapter our aim is to concentrate on the first period of development, that is on the time when everything started to change radically. The deregulation of banking, the sliding of the country into a major depression, the liberalization of foreign ownership and the 'opening of doors' when Finland joined the European Union: all these accelerated and intensified the changes taking place within the Finnish forest sector and its sphere governance. This chapter, then, serves as an example of intense period of competitive rivalry rather atypical for the pulp and paper industry over the whole period covered in this volume. This chapter further goes to show as discussed by Lamberg and Ojala in their introduction to this volume that competitive rivalry within the industry has to a very large extent been either regionally or even domestically motivated.

In this chapter the strategic reality and the descriptions that go with it are analysed by utilizing the metaphor of the game: the strategic action of individual companies is perceived as gamesmanship activity involving players, moves, arenas, rivalry and co-operation. We believe that the process of concentration in the forest sector happened as a consequence of moves made by players in a limited game arena. The key players in this game were the spheres (company groupings), which were always striving for growth and increased influence, the forest industry companies themselves, and, of course, the individuals who wielded power in these companies and spheres. As to our priorities, the empirical reality comes first: we want to perceive what happened in the field. The conceptual framework we present serves mainly as an instrument enabling us to see our subject more clearly.

Thus the empirical goal of this chapter is to outline and interpret the process of radical change in the Finnish forest industry over a certain period of time and to make the course of events more comprehensible with the help of the gamesmanship framework. The theoretical aim is to demonstrate that the gamesmanship perspective can provide serviceable concepts and a frame of reference for the analysis and

understanding of strategic events and developments. Overall, then, we underscore the idea of understanding the actions of intentional human beings, and we are not looking for causal explanations in this particular context (see von Wright 1971).

We follow the basic ideology of case study research (Yin 1994), but adding some special flavours. Our approach relies on the use of qualitative methodology (see Tesch 1990), concentrating on the description and analysis of the change process in an industry. An interpretive perspective occupies a central position in our approach. The description of the four spheres' developments leans heavily on the annual reports of their member companies. They provide official and audited reports produced by the companies of their activities, and thus a documented historical record of events in the firms under study. The use of annual reports as a valuable source of data for strategy research purposes in the forest industry context has been advocated by Sierilä (1989, 1991), who, based on his studies utilizing annual reports, concludes that they are a useful source of data, yet one that has been needlessly neglected by strategy researchers.

The annual report data is supplemented by data drawn variously from business papers and magazines, which gave intensive coverage of many developments within the industry, news releases and extant literature commenting on the evolution of the forest sector. Taken together, these sources offer an additional reference point against which the accuracy of the data based on the annual reports may be tested (e.g. Jick, 1979; McGrath, 1982; Denzin, 1978, 1989). Hence they offer an important means of increasing the validity, reliability and credibility of the research findings.

The chapter is structured as follows. After a brief empirical synthesis, we seek to show with a short review of the literature that the concept of strategy and the idea of the game and playing can be successfully combined with each other. We then proceed to outline three conceptual frameworks that facilitate the analysis of the gamesmanship activity with which we are concerned in this chapter. The following section will be the core of our chapter. It presents a description and interpretation of the development processes. A comparative synthesis of the strategies realized by the flagship companies of the four spheres together with a speculative discussion will conclude the chapter.

## 2 THE FINNISH FOREST SECTOR GAME IN ITS ENTIRETY

Finland has not been called 'Finland Limited' in vain, so much have Finnish corporate structures resembled the dominant company networks in Japan. Such networks in Finland have been called spheres or blocs (for spheres see Virta 1989; Business Finland 1990; Gordon 1990; Lantto 1990; Jorgensen & Näsi 1994; Näsi, Näsi & Savage 1996). Here the term sphere is used for them. By spheres we refer to a network of related firms connected by ownership ties and more or less controlled by some core firm or firms within the network. Each sphere in Finland has contained dozens of companies. Almost all large corporations (and all the major forest corporations) in Finland have belonged to one sphere or another.

Within the spheres the power and influence of the different member companies and their representatives have varied over the years. Typically there existed just one

or only a few power centres that controlled the major moves within the sphere, that also took the megastrategic decisions in the member companies and that had the authority to shape and reshape the sphere itself. These power centres consisted of only a few key individuals (on the role of key individuals see Lamberg; Ojala and Lamberg, in this volume). As a rule these individuals were kept informed about and took part in the governance of member companies through seats on boards of directors and – something characteristic of Finnish corporate life – supervisory (advisory) boards. Every now and then, at critical moments, these key people took the lead as individuals and redirected the whole sphere and the companies of which it was comprised. This was especially true in the numerous instances of mergers and acquisitions.

Seen against the background briefly sketched above, it is only natural that the power struggle between the spheres was reflected in events within the Finnish forest industry. In 1985, at the start of the period under analysis, there were still four large spheres, and at the end, in 1995, three remained.

The shared history of the spheres and the forest industry has been filled with conflict and drama. On the one hand, the spheres have fought bitterly with each other for power. On the other hand, the spheres have been capable of extensive cooperation with each other, especially at the two ends of the production chain. Even the fiercest of competitors have owned jointly pulpmills. Also, marketing of all Finnish forest products was to a very large extent handled for decades through jointly owned sales associations established by the forest corporations (see e.g. Heikkinen 2000; Sajasalo 1999).

In 1985, it was quite easy to name over a dozen Finnish firms that operated in the forest sector. Some of these were multibusiness corporations and some were family-owned companies either completely outside any of the spheres or else only loosely connected to one. Over the next ten or more years, however, all of them became involved in the forest industry game being played out between the four major spheres in the Finnish economy. In the period under discussion this group of initially relatively small-scale forest industry companies shaped itself into three world-class corporations. Finally, by the mid 1990s, these three corporations ranked among the seven largest companies in Europe and among the thirteen largest companies in the world in their industry. (Sajasalo, 2001. p. 114, Figure 35)

### 3 GAME AND PLAY APPROACHES IN BUSINESS AND STRATEGIC THOUGHT

There is nothing new in speaking or thinking about business, strategy, games and playing together. To do so is in fact rather commonplace.

#### *3.1 Game Theory and Game Philosophy*

As far as explicit theories concerning game activity in the strategic context are concerned, the most extensive and important contribution is, of course, the field called game theory, which is ideal in its clarity (see von Neumann & Morgenstern

1944; Kreps, 1995; Schelling 1978 and 1995; Shapiro 1989). In this theory games proceed with moves and players with choices. The players are considered inherently rational in their dealings. They only have a few strategies to choose from, and these strategies can result in only a few predictable outcomes. Most of the rules are known to the players, and the commonest basic objective of a player is to optimize something.

At the other extreme of the conceptual strategic game continuum is game philosophy. This philosophical treatise on the human mind concludes that the wisdom of ages has been packed into our genetic code, offering individuals unique opportunities in the game of life (see, for instance, von Herten 1993). In game philosophy thinking, consciousness and language are some of the most important prerequisites for the human being, a clever survival artist who is directed by innate rules that programme him or her to form groups and operate in them. This activity can be seen as game-playing taking place in numerous different games. For instance, the 'Culture Game', includes individuals and their values, societies and their customs, as well as ideologies and order. The 'Economic Game' is crucial. The struggle for survival is, in essence, naked economic competition. The 'Market Economy Game' now commands our era of history. Thus today the human being is a game person, playing all the time.

### *3.2 Implicit and Explicit Game and Play Perspectives*

In the current strategy literature there is no shortage of presentations of games and playing. For example, approaches like 'cognitive modelling', 'portfolio management', 'positioning theory' or 'choice matrices', all contain items or ideas relating to games and playing, even if game-playing language is only seldom used. This kind of implicit reference is typical even for classic names, such as Michael Porter and Henry Mintzberg.

Michael Porter's works (1980, 1985, 1990) can be readily interpreted as manifestations of game-playing ideology. For instance, Porter's 'firms' can be taken as referring to players, 'the field of competition' and 'industry' to game arenas, 'generic strategies' to move selection, 'competitive advantage' and 'value chain' to instruments for choosing the right moves. His 'home base' and 'diamond' concepts, of course, refer even more directly to game-playing phenomena.

Henry Mintzberg's classification of generic strategies, set out in a response (1988) to his rival Porter, can readily be interpreted as a game-playing repertoire. His basic categories are locating, distinguishing, elaborating and extending the core business, and reconceiving the business. All these activities can be interpreted as moves. Furthermore, they are divided into 16 sub-categories (sub-moves), which are then chopped up into 44 sub-subcategories (sub-submoves).

Nowadays we, however, can find comprehensive frameworks with explicit game language (Ghemawat 1997, Brandenburger & Nalebuff 1996). Let us take Brandenburger and Nalebuff (1996) as an articulated example of game-playing theory. Their game means not only competition activity but also competition and cooperation together, to which they give the label 'co-opetition'. Their framework is called PARTS. 'Players' are the participants of the game, 'Added Values' refer to

the values participants bring to the game, 'Rules' mean the regulations which govern how the game is played, 'Tactics' represent the moves players can make and 'Scope' defines the boundaries of the game.

To change the game, which often is very advantageous, one needs to change one or two elements in PARTS. An important notion for this framework is the nature of the player; he or she can of course be your competitor, but is often your supplier, customer or complementor, too.

### *3.3 Politicking*

There is another broad stream of game and playing thought, one which sees organizational behaviour as 'political games' or 'politicking'. This large sect may be divided into micro and macro perspectives (Mintzberg, Ahlstrand, Lampel (1998), people, organizational and societal levels (Mitroff and Pauchant 1990), or simply into internal and external games. In politicking the key phenomenon is power, both financial and mental. Conflict resolution, negotiation, the application of force, manoeuvring and alliances represent some of the dialect's key concepts.

An illuminating example of the macro perspective is presented by Wheeler and Sillanpää (1997). It is the idea of free enterprise, which sets the rules of the game. The referees and linesmen enforce the rules. The teams are companies and corporations. Investors and bankers are the sponsors. Business leaders and CEOs are the team captains, while employees and customers are the supporters. Finally there is the playing field: an environment that must somehow be protected. Their stakeholder theory is a game-playing theory.

From the micro perspective there is no shortage of evidence for game-playing, even dressed in explicit language. Mintzberg (1989), for example, is able to identify thirteen different political games in organizations. A short selection from Mintzberg's list is very revealing of the nature of the whole approach: 'Insurgency Game', 'Empire-building Game', 'Whistle-blowing Game', and 'Young Turks Game'. A very similar form of politicking can be found in Mitroff and Pauchant (1990): 'Me Before Anyone', 'Buffering', 'Razor's Edge' and 'Apathy' are examples taken from a range of 21 games. The politicking approach involves a great deal of conscious cleverness, and often a great deal of out-and-out plotting where moves and counter-moves come one after the other.

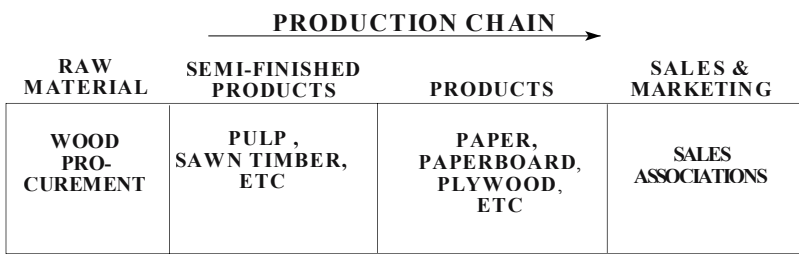
### *3.4 Conclusions*

The ideas and elements of games and playing are not rare in the context of business and strategy thinking. Game theory and game philosophy represent different ends of the game continuum, the first in its obvious clarity and the second in its extreme comprehensiveness. Implicit and explicit game perspectives as well as the politicking view of business can be placed somewhere in the middle of this continuum. Soon we will see where our approach can be located in relation to the approaches just described.

#### 4 THE STRATEGIC GAMESMANSHIP APPROACH

Our construct, the strategic gamesmanship approach, includes five important concepts. The first key word is a part of the second word, ‘man’ and refers to the mental nature of the players or the human beings, with all their activities and all their limitations. Our person or team is intentional, though often dangerously unaware of the real situation, provided with bounded rationality and subject to an assortment of feelings. The other crucial elements of the approach are the concepts of strategy, players, arena, game and playing (game-playing). By strategy we refer to the plot of the action or the common thread of an organization (Näsi 1986, 1987). Whatever is strategic is vitally important to an organization. The players, then, in the game are typically firms or their units. In this chapter they are spheres, companies and their dominant individuals. These players do something in an arena, which in our case is easily identifiable and limited: the forest sector in Finland within a specified period. What about ‘game-playing’? Game-playing means action. Action takes place through collectives and individuals. ‘Action’ here refers to intentional deeds, that is activity for which there is a purpose or goal. This action is seen teleologically, meaning that action is seen to be a consequence of how individuals view their situation, their goals and the possible means to attain those goals. Sometimes this strategic action may be carefully planned, at other times, though, it can be unconscious and intuitive.

In this study we have used three frames of reference in order to categorize moves – deeds by nature as they will be realized strategy patterns in the following. The first frame focuses on the object of the game. The object of the game may be any stage in the production chain: raw materials or timber purchasing, semi-manufactures such as pulp or sawn timber, finished products such as paper, paperboard or plywood products, and the marketing of all of these. This first interpretive frame of reference is depicted in the Figure 10.1.



*Figure 10.1. The first frame of reference: the objects of the game.*

The second framework refers to the internal and external dimensions of the spheres. The game-playing activity of a given sphere can be of intrasphere type when it carries out internal development within the confines of the sphere, or intersphere when relations between spheres are moulded. Whether the game activity takes place in the intrasphere or intersphere setting, the moves performed by the parties involved may be interpreted to have human attributes. The atmosphere surrounding

a move is characterized as either combative or amicable according to the interpretation of the nature of a given game episode. An episode is deemed combative if it is clearly characterized by struggle over the object of the game. Correspondingly, an episode is deemed amicable if no evident competition over the object is reported in the data sources, or the episode is characterized by cooperation between the parties involved. When combined, these two dichotomies furnish our second frame of reference as shown in Figure 10.2.

		ARENA	
		INTRASPHERE	INTERSPHERE
CHARACTERISTICS OF THE EPISODE	COMBATIVE	INTERNAL, TENSE	EXTERNAL, TENSE
	AMICABLE	INTERNAL, PEACEFUL	EXTERNAL, PEACEFUL

*Figure 10.2. The second frame of reference: the arena and the nature of the game.*

How the spheres or companies proceed in the game arena when it comes to increasing or decreasing the scope of their activities or dealing with competitors is shown by frame number 3. Basically, the moves performed can be opening or expansive, as when starting some new endeavour or increasing efforts. Otherwise moves may be interpreted as closing or withdrawal moves, as when reducing or terminating some existing arrangement or venture. In both categories of moves we can classify three ways to handle competitors. First, there are company deals: it is possible that a factory, a unit or even a company as a whole can be acquired or sold. Second, there are the alternatives of combining or otherwise breaking up companies, which means that companies can be merged or a merger unpicked. Third, there are cooperative alternatives, where companies can embark on an alliance or else terminate it. These three categories of moves constitute our third frame as outlined in Figure 10.3.



		TYPE OF MOVE	
		OPENING/EXPANSIVE MOVE	CLOSING/WITHDRAWAL MOVE
WAY OF MEETING THE COMPETITORS	COMPANY DEALS	ACQUISITION OF A COMPANY/ UNIT	SALE OF A COMPANY/ UNIT
	COMBINING COMPANIES	MERGER	BREAKING UP A COMPANY
	COOPERATION	ALLIANCE	DISMANTLE OF AN ALLIANCE

**Figure 10.3.** *The third frame of reference: ways of meeting competition.*

### *Notes on the Gamesmanship Approach*

The origins of the gamesmanship approach are traceable to the works of Näsi (1986, 1987, 1991, 1994, 1996, 1999), in which he first presents the potential of the game-playing view, then demonstrates that it is a clearly distinguishable stage within the development of strategic thinking (Näsi 1991), before going on to develop the analytical frameworks more fully (Näsi 1994, 1996, 1999) into the form they appear in, for instance, Näsi, Sajasalo and Sierilä (1998). For an example of the comprehensive utilization of the frames of reference in a comparative single-country setting see Näsi, Lamberg, Ojala & Sajasalo (2001), where the development of the Finnish forest industry companies over the 20<sup>th</sup> century is analysed.

How do our frames relate to mainstream existing schools of thought? Our first framework contains ideas related to value chain literature (in particular Porter 1980, 1985) and traditional downstream-upstream thinking (Galbraith & Kazanjian 1987). The second framework has to do with politicking (Mintzberg 1989; Mitroff & Pauchant 1990), and the third with the portfolio management literature (e.g. Henderson 1984; Buzzell & Gale 1987; Hamermesh 1986 among others) and diversification literature (e.g. Wrigley 1970; Rumelt 1974, 1982, 1986; Salter & Weinhold 1979; Abell 1980; Galbraith & Kazanjian 1986). As to the gamesmanship approach, we can locate it in the middle between game theory and game philosophy, where it clearly overlaps with the implicit and explicit game-playing approaches as well as with politicking thinking.

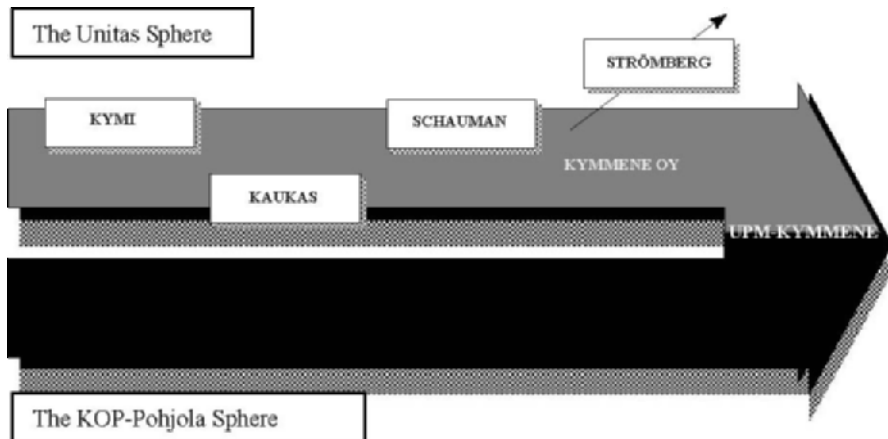
## 5 EMPIRICAL ANALYSES OF THE FOUR SPHERES

With our set of five key elements and the three frameworks we will now try to reveal the consistencies in the strategic gamesmanship models of the organizations being studied. We will now turn to the practical developments and track the major chains of moves sphere by sphere (for a more detailed description of the analysed companies' development see Lamberg; Ojala and Lamberg, in this volume).

### 5.1 *The Unitas Sphere*

This was the oldest grouping. Built around the Union Bank of Finland (UBF), it was originally established by members of Finland's Swedish-speaking minority. The UBF, along with some insurance companies (Teva Group) and the Ehrnrooth family, formed the core of the sphere. The Union Bank of Finland was owned by the Unitas Group, which gave its name to the sphere as a whole. The major companies regarded as belonging to the Unitas Sphere were Fiskars, Lohja, Wärtsilä, and Partek. Its forest sector flagship in 1985 was Kymi-Strömberg.

The Unitas Sphere may be regarded as the initiator in the restructuring of the whole Finnish forest industry sector over the decade to follow. The key individuals of the sphere were the president of the Union Bank of Finland, Mr. Mika Tiivola, and Mr. Casimir Ehrnrooth, a representative of an old, industry-owning Finnish family. It was these two who started and orchestrated the construction of the sphere's forest flagship outlined in Figure 10.5.



**Figure 10.4.** *The formation process of Unitas Sphere's flagship Kymmene.*

In 1985 the flagship, Kymi-Strömberg, was a multibusiness company. The process of change got under way when the decision was taken in 1985 to merge Kymi-Strömberg with Kaukas, which was owned by the Ehrnrooth family (1). The merger of Kymi-Strömberg and Kaukas took place in an intrasphere, amicable setting and

was an opening move that involved semi-finished products (pulp) as well as finished products (paper). That same year the Union Bank of Finland (UBF) together with Kaukas acquired almost half of the share capital of Schauman, a family-controlled company that had been only loosely connected to the Unitas Sphere. Now, after competitive bidding, in which also the KOP–Pohjola Sphere participated, Schauman stayed under the control of the Unitas Sphere (2). This episode was in the end mainly of an amicable, intrasphere nature, although it did involve some intersphere action. The episode was the opening move towards deeper cooperation and involved semi-finished products (pulp, sawn timber), and finished products (plywood).

The family-owned firm Serlachius, which was also only loosely connected to the sphere, merged with Metsäliiton Teollisuus, the flagship of the Agricapital Sphere, in 1986 and thus a new company Metsä-Serla was born. The birth of Metsä-Serla was surrounded by great secrecy and it came as a big surprise for everyone, including the Unitas Sphere (3). This was a surprising game-playing episode that took place in semi-intrasphere, semi-intersphere setting, and was neither characterizable as clearly combative nor amicable, since the Unitas Sphere did not have time to react to the Agricapital Sphere's opening move. The same year Kymi-Strömberg, having decided to concentrate on its forest industry operations, sold most of Strömberg's business operations, mainly electrical engineering, to the Swedish company Asea (4). This was a withdrawal move of intrasphere nature.

In 1987 the company comprising Kymi, Kaukas and Schauman adopted the new name of Kymmene. That same year Schauman was merged with Kymmene (5), after which it seemed as if the internal development of the sphere's forest operations had been completed. This episode was of a purely intrasphere nature and concerned both semi-finished products (pulp, sawn timber) and finished products (plywood).

In 1990 the sphere's Schauman Wood (a part of the Kymmene Group) acquired the chipboard and plywood operations of Enso-Gutzeit, the State Sphere's flagship (6). This event took place in an intersphere, amicable setting and involved finished products. It was an opening move by the Unitas Sphere towards the State Sphere. The same year Kymmene withdrew from Finnpap, the joint sales organization of the Finnish papermills, and began to take care of the marketing of its products by itself (7). This move was a dismantling move which ended a very long alliance, and was of an intersphere nature involving the sales and marketing of the products. Four years later the surprising news concerning Kymmene's and Repola's merger negotiations leaked out. The news was unexpected because Repola (and United Paper Mills – UPM – as a part of Repola) was an integral part of the KOP–Pohjola sphere. However, the negotiations bore no fruit (8). This was just a first, tentative attempt and it took place in an intersphere setting. It was an opening move towards a future merger. When UBF and KOP merged in 1995 (9), the final merger of Repola (of which UPM was a part) and Kymmene was seen merely as a matter of time. The merger was finalized in the autumn of 1995 and UPM-Kymmene was born (10).

The merger of UBF and KOP Bank to form the new Merita Bank has been held to be the merger of the century in Finnish corporate life, because it was previously considered an impossibility. It took place in an intersphere setting and thus ended the division between the Unitas Sphere and the KOP–Pohjola Sphere. The merger of Repola and Kymmene was of both an intersphere and intrasphere nature and it was

also rather combative since there were some interest groups that still opposed the merger. The moves discussed above have been placed in the analytical frameworks in Figure 10.5 to illustrate the character of each move presented above. The numbers in brackets in the preceding description refer to numbers in Figure 10.5 and will help in placing the game episodes in the frames of reference utilized in the analysis. The same form of presentation will be followed throughout this part of the chapter.

The process of building the Unitas Sphere's flagship from the start seems to have been a coherent process without major obstacles or trouble. A feature common for the companies that came to be merged with the sphere's flagship was their family-based ownership structure. Traditionally the Unitas Sphere's bank, the Union Bank of Finland, was the bank of wealthy Swedish-speaking Finns and thus the financier of their businesses. UBF's financier role gave the Unitas Sphere a degree of leverage in many old family-owned companies and made it much easier to persuade them to merge. There were several family-owned companies operating in the forest industry that were tied to the Unitas Sphere, but some did break out to join other spheres. Sometimes such a breakout came as a total surprise, at other times it was expected but caused no reaction from the sphere.

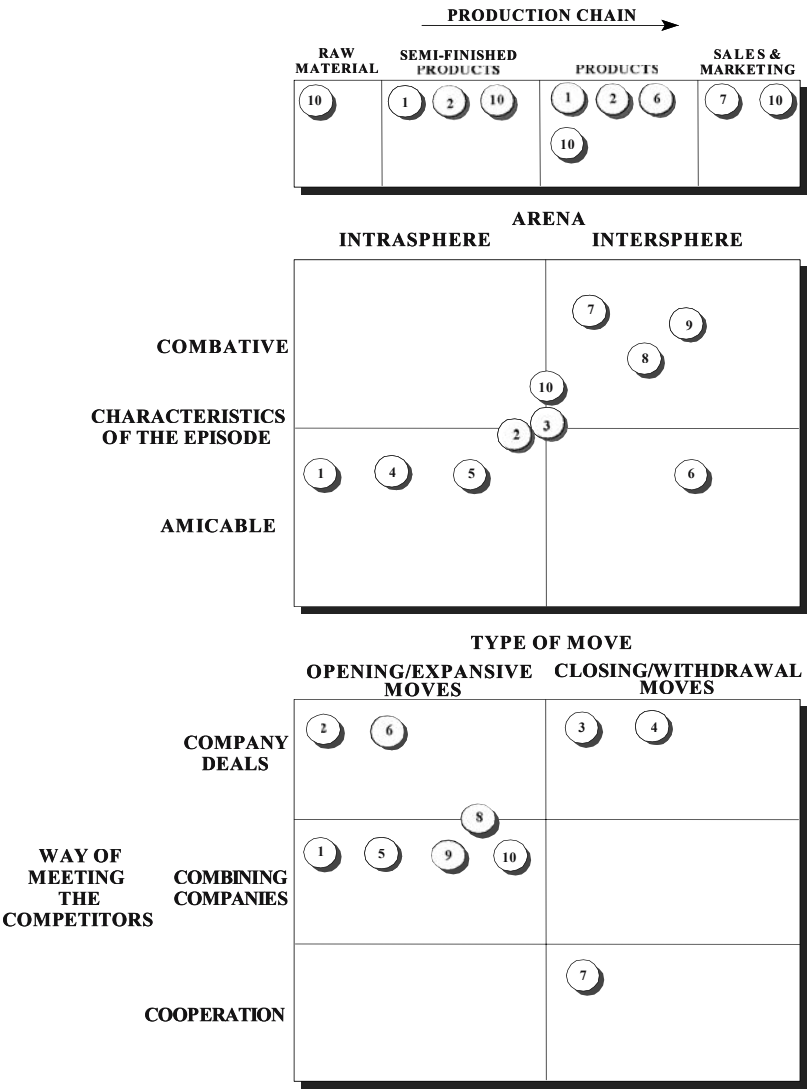
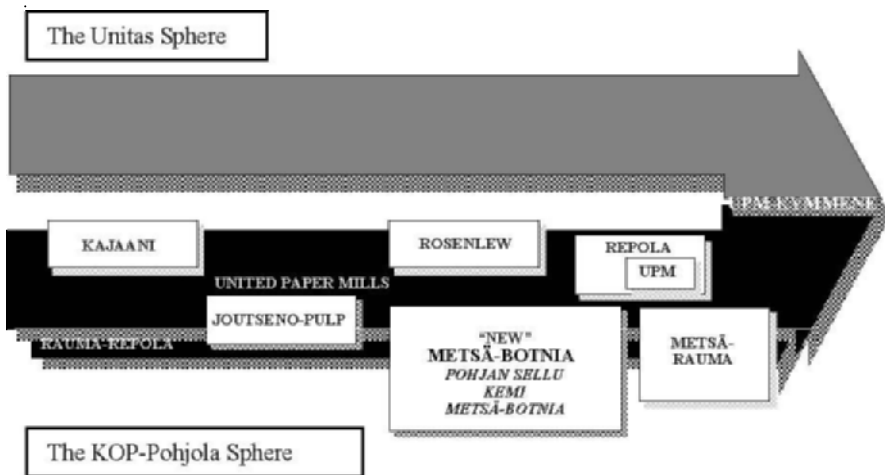


Figure 10.5. Events and moves in the Unitas Sphere.

### 5.2 The KOP–Pohjola Sphere

This was the Finnish-speaking equivalent of the Unitas Sphere, and traditionally a bitter rival to it. A commercial bank, KOP, and an insurance company, Pohjola, formed its core. The other most important companies belonging to this sphere were Rauma-Repola, United Paper Mills, WSOY and Huhtamäki. The KOP Sphere played a major role in the forest industry through several companies. United Paper Mills (UPM), however, was unmistakably the flagship of the sphere.

The restructuring of the KOP–Pohjola Sphere's forest industry was personified by one key individual, Mr. Jaakko Lassila, the president of KOP Bank, whose goal was to arrange KOP–Pohjola Sphere's forest industry companies into one truly big flagship. The KOP–Pohjola Sphere did not have the advantage of having several family-owned forest industry companies inside the sphere's confines as the Unitas Sphere did. Instead, there were two major publicly listed companies with rather dispersed ownership structures within the sphere: UPM and Rauma-Repola, the latter operating also in various sectors of the engineering and metal industry. There were other forest industry companies in the KOP–Pohjola Sphere but they were relatively small. The development process of the flagship company of the KOP–Pohjola Sphere is outlined in Figure 10.6.



**Figure 10.6.** The formation process of the KOP–Pohjola Sphere's flagship United Paper Mills.

In 1985 the KOP–Pohjola Sphere was playing an active role in a long-drawn-out game that had been going on for some years. It involved three relatively small companies located in northern Finland. The KOP–Pohjola Sphere was seeking to merge Kemi and Oulu with Kajaani, a member of the sphere. The former companies, however, were members of other spheres, which naturally made it difficult for the KOP–Pohjola Sphere to proceed with its plan. In fact, the arrangement for which the KOP–Pohjola Sphere had been pressing for so hard did not materialize. Instead of a

merger of all three companies, Oulu was acquired by the State Sphere's Veitsiluoto, while half of Kemi was acquired by Metsäliitto, the flagship of the Agricapital Sphere. Thus Kajaani was left with only the other half of Kemi. The media referred to this episode as the Great Northern War (a reference to the war fought between Sweden-Finland and Russia, among others, from 1700 to 1721), and it ended in a bitter defeat for the KOP-Pohjola Sphere in 1986 (1). This was a combative intersphere opening move by the KOP-Pohjola Sphere involving semi-finished products (pulp, sawn timber) and finished products (paper, paperboard).

There was less drama in the next episode. In 1987 Rauma-Repola, a member of the KOP-Pohjola Sphere, acquired a majority holding in Rosenlew, an old, family-owned company loosely linked to the Unitas Sphere. Rosenlew had been performing poorly for some years and sorely needed to make major investments. The owner families, the Rosenlews and von Frenckells, felt they could not provide the sort of sums needed and so decided to sell their shares in the company. They first offered their shares to the Unitas Sphere, but when it showed no interest, Rauma-Repola stepped in (2). This was an amicable, opening intersphere move that involved semi-finished products (packaging materials) and finished products as well as raw material (90,000 hectares of woodland). In other words, Rosenlew was transferred from one sphere to another in an undramatic and peaceful way.

The next two years saw a considerable strengthening of the KOP-Pohjola's flagship, UPM, within the confines of the sphere. In 1988 UPM acquired Joutseno Pulp from Rauma-Repola (3). Prior to this, Joutseno Pulp had been jointly owned by UPM (40 per cent) and Rauma-Repola (60 per cent). The main reason for UPM's move was that Joutseno Pulp had decided to build a fine paper machine to complement its pulpmill. This, in turn, would have deprived UPM of its share of Joutseno Pulp's pulp production, a share that it needed almost desperately. Once the acquisition had gone through, United Paper Mills quickly aborted Joutseno Pulp's paper machine project, even going so far as to tear up the foundations that had already been laid for the new papermill. In 1989 United Paper Mills was further strengthened when Kajaani was merged with it; this move had been widely expected for some years (4). Both these episodes took place in a combative intrasphere setting. They both included semi-finished products (pulp, sawn timber), and the latter move also included finished products (paper). The former was a closing/withdrawal move by Rauma-Repola, the latter a combining of companies within the sphere.

In 1989 the KOP-Pohjola Sphere not only made intrasphere arrangements but also embarked on a major restructuring of its interests in the pulp industry. UPM established a new company, Metsä-Botnia, together with Metsäliitto and Metsä-Serla from the Agricapital Sphere (5). The new Metsä-Botnia was created through a reorganization of several pulpmills. It consisted of the old Metsä-Botnia, in which UPM had owned 7.5 per cent of the shares and Metsä-Serla the rest, Kemi and Pohjan Sellu, both of which were jointly owned by the Agricapital and KOP-Pohjola Spheres. UPM held 42.6 per cent of the shares in the new Metsä-Botnia, and the Agricapital Sphere the rest. This was an opening, amicable intersphere move that paved the way for future cooperation. It involved semi-finished products (pulp).

In 1990 the internal development of the KOP-Pohjola's forest industry suffered a major blow when the Agricapital Sphere launched a hostile takeover bid for UPM through Metsä-Serla. This takeover move came as a complete surprise to the KOP-Pohjola Sphere and it responded by trying to tighten its grip on UPM by proposing a special share issue to its other forest industry company (in fact a multi-business company), Rauma-Repola. After this the KOP-Pohjola Sphere made a plan to merge UPM with Rauma-Repola to form a new conglomerate, Repola. Metsä-Serla naturally opposed this proposal and succeeded in having it withdrawn at an extraordinary general meeting. Later on, however, Metsä-Serla and the Agricapital Sphere reached an agreement with the KOP-Pohjola Sphere on the terms of the merger of UPM and Rauma-Repola, and the merger was realized later in 1990 (6). This was an intersphere event of an extremely combative nature.

Although this encounter between the KOP-Pohjola and Agricapital Spheres was, to say the least, fairly antagonistic, it did not prevent the two parties from later cooperating in 1993, when they jointly established a new pulp company. UPM (now a part of the Repola Group) together with Metsäliitto and Metsä-Serla formed Metsä-Rauma to build a new pulpmill with an annual capacity of 500, 000 metric tons of pulp (7). This was an amicable, intersphere encounter between the Agricapital Sphere and the KOP-Pohjola Sphere involving semi-finished products (pulp).

In 1995 something that had previously been considered absolutely inconceivable actually came to pass, and a new bank was born. The power centres of the of two rival spheres, the Unitas Sphere's Union Bank of Finland and the KOP-Pohjola Sphere's KOP Bank decided to merge and form a new bank to be called Merita (8). The reason behind the bank merger was the Finnish banking crisis at the beginning of the 1990s, which gravely weakened KOP Bank. In practice, a merger with UBF was the only viable solution available for KOP Bank. An obvious consequence of this landmark event in the history of the Finnish economy was the merger of the two spheres' forest industry flagships, United Paper Mills and Kymmene. The new company, UPM-Kymmene, was formed in 1995. The bank merger was a somewhat combative intersphere episode that laid the foundations for the merger of the two forest industry companies, formerly members of rival spheres. It was a borderline episode with both intersphere and intrasphere features (Figure 10.7).



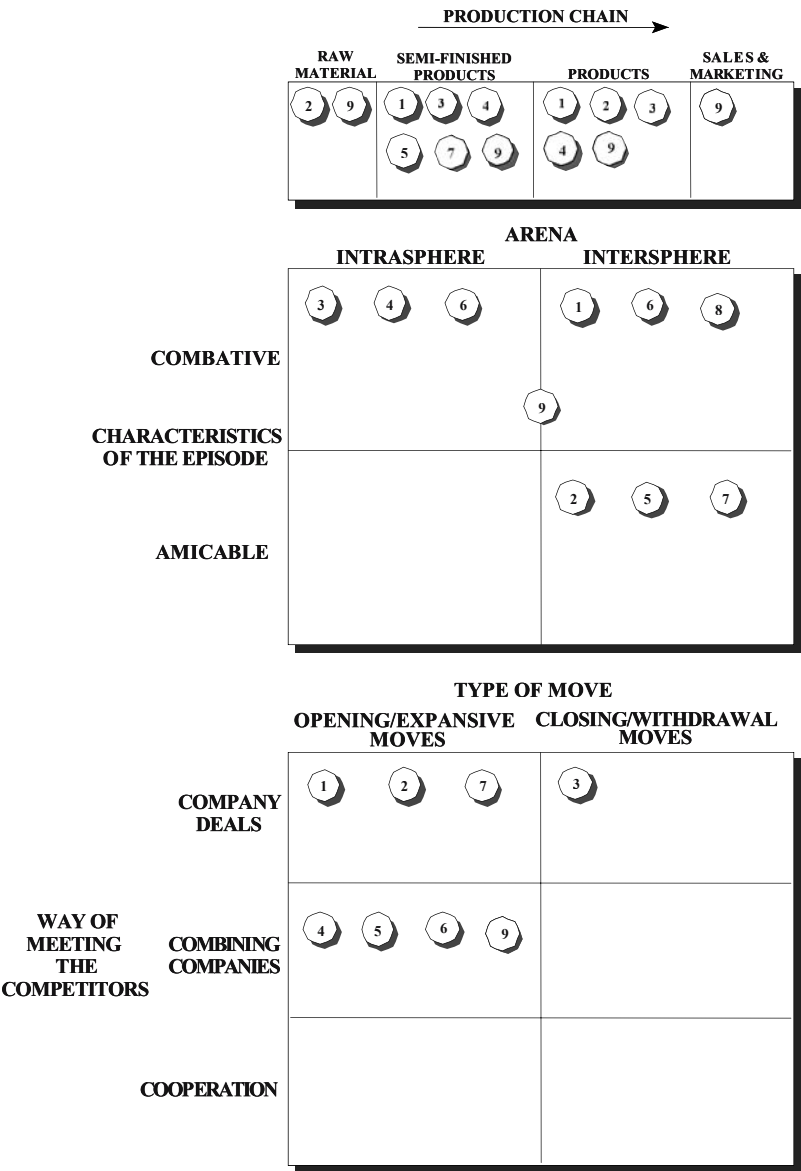
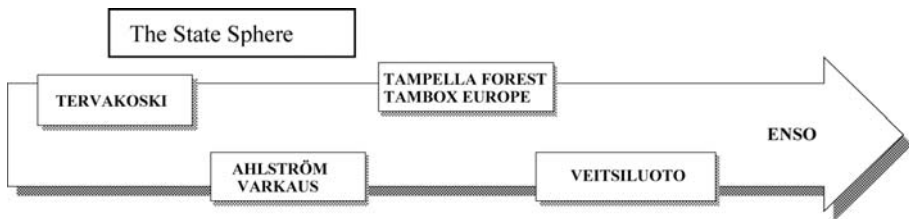


Figure 10.7. Events and moves in the KOP–Pohjola Sphere.

### 5.3 The State Sphere

Throughout the 20<sup>th</sup> century the Finnish State has formed the core of one major sphere by being a significant owner of large companies. The most important state-owned companies have been Valmet, Alko, Finnair, Neste, IVO, Outokumpu, Kemira, Rautaruukki, Veitsiluoto and Enso-Gutzeit. The bank within the State Sphere was Postipankki. The State has historically been an important player in the forest sector and its flagship company has been Enso-Gutzeit. The widespread state ownership of industry is mostly due to the fact that in the beginning of Finnish independence the country's entrepreneurs to a large extent lacked the capital needed to develop basic industry. Therefore, having more capital than individual entrepreneurs, the Finnish state set up a number of companies operating in basic industries in order to gain access to export revenues. State ownership in Finland has thus been more a pragmatic matter than an ideological one. In recent years the state has consistently decreased its ownership and involvement in numerous companies traditionally owned by it, not least within the forest industry.

The key individuals in the State Sphere were distinctly different from either the Unitas Sphere's or the KOP-Pohjola Sphere's key individuals. At the sphere's top level the key individuals were periodically changing, elected politicians serving as the Minister of Trade and Industry, the civil servants of Ministry of Trade and Industry, and the leading figures of the political parties, especially the Centre Party and Social Democratic Party. The two most permanent key individuals in the State Sphere were the CEOs of the State Sphere's forest industry companies, Pentti Salmi of Enso-Gutzeit and Pentti Ruoholahti of Veitsiluoto. The developments surrounding Enso-Gutzeit are shown in Figure 10.8.



**Figure 10.8.** The formation process of the State Sphere's flagship Enso-Gutzeit.

In 1985 the State Sphere became involved in moves to restructure three forest industry companies in northern Finland through Veitsiluoto Oy (1). The KOP-Pohjola Sphere had, as mentioned earlier, taken an initiative to merge Oulu and Kemi with Kajaani, which it controlled. Along with the senior management of Veitsiluoto, the State Sphere's representative in the negotiations was the Ministry of Trade and Industry. Overall the situation was complicated as the Finnish State was the owner of Veitsiluoto, the co-owner of Kemi with the Agricapital Sphere and also the co-owner of Oulu with the KOP-Pohjola Sphere. This was a combative and intersphere episode by nature. It was an opening move that involved both semi-finished products (pulp) and finished products (paper).

Both Veitsiluoto and the Ministry of Trade and Industry had their own reasons for opposing the KOP-Pohjola Sphere's plans. Veitsiluoto was very dependent for its wood procurement on Oulu's resources. It followed that if Oulu were to be merged with Kajaani, Veitsiluoto would have been left standing alone in northern Finland without a sufficiently effective wood procurement system. Not surprisingly, Veitsiluoto wanted to bury the whole project as soon as possible. The Ministry of Trade and Industry then became a battlefield for political parties with differing views on the future of the state-owned forest industry in northern Finland. The Centre Party's position was that the problematic situation of state co-ownership could not be resolved by the State buying out the private partners in the companies in question. The Social Democrat Party's view was that it would be ideologically wrong to sell state-owned enterprises to the private sector. Since the Minister of Trade and Industry was a Social Democrat, the outcome was far from what the KOP-Pohjola Sphere had hoped for.

Over the next two years Enso-Gutzeit played a more dynamic role than had previously been the case. In 1986 it decided to resign from Finnmap, the Finnish Paper Exporters' Association (2). The reason for the resignation was a dispute over a paper grade change that Enso-Gutzeit was planning and that Finnmap opposed. In resigning from Finnmap, Enso-Gutzeit became the first Finnish forest industry company to rely solely on its own sales and marketing organization. In fact, the episode of the paper grade change was only the last straw for Enso-Gutzeit; there had been a long history of differences of opinion between it and the other members of Finnmap. That same year Enso-Gutzeit acquired Tervakoski, a small special-grade paper manufacturer, which curiously enough had been owned by the Bank of Finland (the Finnish Central Bank) (3). The resignation from Finnmap was a combative intersphere event that ended a long-term alliance with other Finnish paper exporters. The latter episode was, on the contrary, an opening, amicable intrasphere move that involved finished products (paper).

In 1987 Enso-Gutzeit together with Ahlström, an old-established family-owned firm, carried out a major restructuring of their production units (4). In this deal Enso-Gutzeit acquired Ahlström's pulpmill, papermill, paperboard mill, sawmill and power plant in the town of Varkaus in eastern Finland. As part of the purchase price Enso-Gutzeit transferred all its engineering units to Ahlström along with a packaging plant it owned. As a result of all this, Enso-Gutzeit became purely a forest industry company, and the largest one in Finland at that, while Ahlström became the third largest owner of Enso-Gutzeit with 11.7 per cent of the shares. This episode was an opening, intersphere move of an amicable nature that involved both semi-finished products (pulp, sawn timber) and finished products (paper, paperboard). It also laid the foundations for future cooperation between Enso-Gutzeit and Ahlström.

A deep-rooted animosity existed between the State Sphere's forest industry companies, Veitsiluoto and Enso-Gutzeit. Enso-Gutzeit had wanted for a long time either to acquire Veitsiluoto or to merge with it. The two companies had long criticized one another, especially for the soundness of the rival's investment decisions. This was understandable as both companies were competing for investment funds that to a very large extent came out of the state budget. For instance, when Veitsiluoto in 1989 decided to invest in a new paper machine so as to be able to use up the excess pulp it produced, Enso-Gutzeit regarded this decision as

mindless, and was prompted to lobby the political decision-makers at the top of the State Sphere to stop the paper machine project and merge the two companies as soon as possible. But as so many times before, the political decision-makers were unable to reach agreement about what to do with the two companies. Veitsiluoto's paper machine project went ahead and Enso-Gutzeit's plans were thwarted, for the time being at least (5). This was a combative intrasphere episode in Enso-Gutzeit's long-term project to get a merger.

In 1990 Enso-Gutzeit sold its plywood and fibreboard mills to the Unitas Sphere's Schauman Wood, which was a part of the Kymmene Group (6). This was an amicable intersphere transaction that enabled Enso-Gutzeit to concentrate on pulp, paperboard, fine and printing papers and integrated saw-milling. Not all of Enso-Gutzeit's dealings with other spheres were as peaceful as this transaction, however. In 1993 and 1994 Enso-Gutzeit was involved in two major battles with the Agricapital Sphere's Metsä-Serla over the ownership of two companies. The first struggle in 1993 centred on control over Tampella's forest industry units (7), ownership of which had been transferred to the Bank of Finland as a result of the massive crisis in the Finnish banking sector in the early 1990s. The second battle was over a minority shareholding in Veitsiluoto (8), which had landed up in major financial difficulties after its paper machine investment, in part because of a fall in demand for paper. The Ministry of Trade and Industry decided to sell one third of Veitsiluoto to another Finnish forest industry company in a rescue operation. Enso-Gutzeit emerged the victor from both these battles, twice beating off a strong challenge from the Agricapital Sphere's Metsä-Serla for control of the stricken firms. Thus the Veitsiluoto game, which had gone on for decades, finally ended in 1995 when Veitsiluoto resigned from Finnpap (9) and the owner, i.e. the Finnish State, at long last took the decision to merge Veitsiluoto with Enso-Gutzeit (10). The battles over Tampella and Veitsiluoto were, in effect, both intersphere and intrasphere episodes of a very combative nature. They were intrasphere events in the respect that in both cases the companies that were battled over were state-owned, and intersphere in that in both battles the adversary was from the Agricapital Sphere. Both episodes involved semi-finished products (pulp, sawn timber) and finished products (paper, paperboard). The resignation of Veitsiluoto from Finnpap was a closing move of combative intersphere nature and ended a long-term alliance with the other Finnish paper exporters. The merger of Veitsiluoto with Enso-Gutzeit was also combative in nature but this time in an intrasphere setting. After the merger with Veitsiluoto Enso-Gutzeit took a new name, just plain Enso (Figure 10.9).

The continuing competition for rather scarce resources within the State Sphere between Enso-Gutzeit and Veitsiluoto was widely seen as unsound, but the political decision-makers lacked the will to make the fundamental decisions needed to end the unhealthy situation. The idea of merging the two companies surfaced from time to time and Enso-Gutzeit's CEO Salmi was on several occasions an eager proponent of such a merger. As can be imagined, the strongest opponent of such plans was Veitsiluoto's CEO, Ruoholahti, who was a strong individual and a smart player, and who thus knew which buttons to push. Ruoholahti shot down the idea of a merger several times. He pleaded that jobs and the prosperity of northern Finland would be jeopardized should the merger go ahead; these arguments were very powerful weapons in the battle for Veitsiluoto's independence over the years.

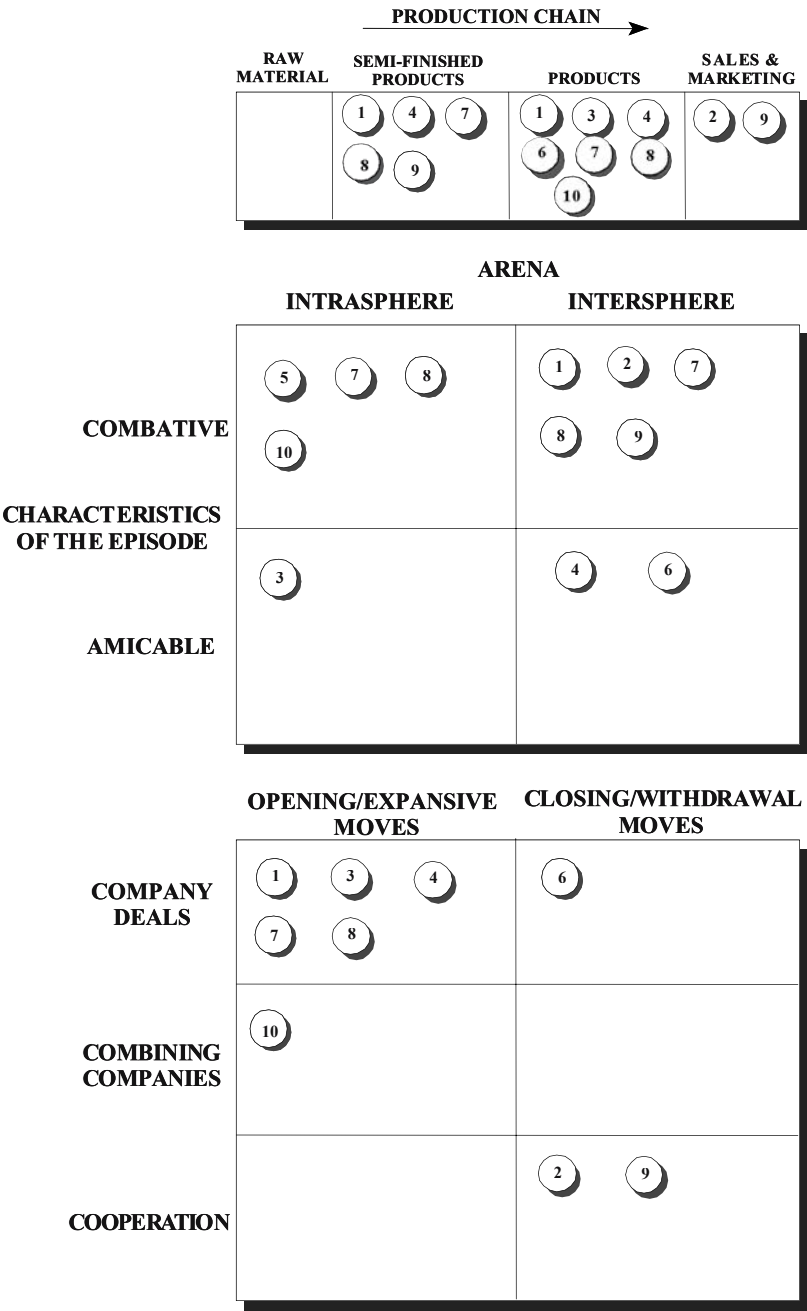


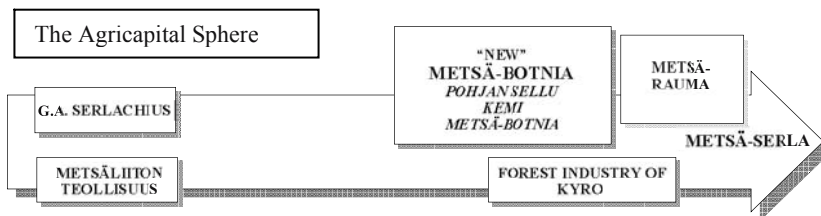
Figure 10.9. Events and moves in the State Sphere.

In the end, no arguments could prevent the sound decision to merge the two companies within the State Sphere and end the incessant rivalry between them. Finally in 1995 the merger took place after the intermediate stage of a strategic alliance between the two companies. The government used its power as the owner of the two companies and Enso-Gutzeit could be finally declared the winner of the war inside the State Sphere's forest industry sector. The final victory over Veitsiluoto was achieved only after Salmi's retirement.

#### 5.4 The Agricapital Sphere

The roots of this sphere can be found in the Finnish countryside and it still contains dozens of companies, many of which function on cooperative principles. The main firms regarded as part of the sphere were Tapiola Group, Metsäliitto, YIT Group, Lännen Tehtaat, Vähittäiskaupan Teollisuus, Hankkija and SOK. There was also a bank system consisting of the national OKO Bank and a network of local cooperative banks within the sphere. This sphere has origins very different to those of the aforementioned spheres in which commercial banks formed the core. Behind the Agricapital Sphere are tens of thousands of private forest owners (most of whom are also farmers). With this background the sphere had clear links to one of the key Finnish occupational interest groups, MTK (the National Association of Agricultural Producers), and to the main political force in the Finnish countryside, the Centre Party, which is also a very significant force on the national political stage.

There were not so many key individuals involved in the decision-making about the major moves in the Agricapital Sphere. One who stands out is Mr. Mikko Wuoti, president of the Metsäliitto Cooperative, the main architect of the Metsä-Serla deal, i.e. the merger of Metsäliiton Teollisuus and G.A. Serlachius. Metsä-Serla's development is depicted in Figure 10.10.



**Figure 10.10.** The formation process of the Agricapital Sphere's flagship Metsä-Serla.

In 1985 the Agricapital Sphere was caught up in the KOP-Pohjola Sphere's attempt to restructure the forest industry in northern Finland (1). The Metsäliitto Cooperative was a co-owner of Kemi, one of the companies that the KOP-Pohjola Sphere wanted to merge with its own Kajaani. Metsäliitto declared that it wanted to be included in the reorganization and wished to play a significant role in the process, thus giving strong support to the KOP-Pohjola Sphere's plan. Nevertheless, the plan was not realized in the scope or form intended by the KOP-Pohjola Sphere. Instead, as it turned out, the Agricapital Sphere and the KOP-Pohjola Sphere ended up co-

owning Kemi, which was originally co-owned by the Agricapital Sphere and the State Sphere. This event was an opening, combative intersphere move by the Agricapital Sphere involving semi-finished products (pulp, sawn timber) and finished products (paper).

A major restructuring across spheres took place in 1986. The Agricapital Sphere's Metsäliitto and the Serlachius family announced after secret negotiations that Metsäliiton Teollisuus and G.A. Serlachius would be merged to form a new company, Metsä-Serla (2). This event came as a real surprise to the Finnish business community and differed from previous similar events in that the banks had played no role in the process. The merger was even more surprising because G.A. Serlachius was generally held to be a part of the Unitas Sphere, or at least quite closely linked to it. This was the first merger in the forest industry that crossed the borders of two spheres to create a new company within just one of the spheres. In effect the merger transferred a company from one sphere to another. Metsä-Serla became the flagship of the Agricapital Sphere. This intersphere event was so surprising that the Unitas Sphere did not have time to react to it. It was an amicable opening move that involved both semi-finished products (pulp, sawn timber) and finished products (paper).

Another large-scale restructuring occurred in 1989, when the Agricapital Sphere and KOP-Pohjola's United Paper Mills joined forces in a strategic pulp alliance in the form of a new company, Metsä-Botnia, embracing several production units (3). In 1990, however, the Agricapital Sphere took a dramatic and what later proved to be an ill-conceived step: Metsä-Serla launched a hostile takeover bid for United Paper Mills, which provoked a vigorous reaction from the KOP-Pohjola Sphere (4). Most of the game was played out of the limelight, and the two camps involved tried to maintain a harmonious facade in public. The Metsäliitto Cooperative and Metsä-Serla repeatedly denied any hostile intentions, and the KOP-Pohjola Sphere tried to convince the public that the Repola manoeuvre (the plan to merge UPM with Rauma-Repola within the KOP-Pohjola Sphere) was not directed against the Agricapital Sphere. As was mentioned before, the merger of UPM and Rauma-Repola finally took place at the second attempt in 1990. The first of the above mentioned events was an amicable intersphere episode that involved semi-finished products (pulp). The latter, which also was intersphere, was on the contrary, a very combative opening move by the Agricapital Sphere.

The unsuccessful attempt to takeover UPM was one of the factors leading to Metsä-Serla's financial difficulties in 1991. The other factor was a rapid and unexpected collapse in demand. As a result of these difficulties Metsä-Serla organized a share issue, in which the Metsäliitto Cooperative took up the majority of shares and Metsä-Serla became a subsidiary of Metsäliitto (5). This arrangement, however, breached an earlier covenant between the Agricapital Sphere and the Serlachius family. When Metsä-Serla was being created, the two parties had agreed that both of them would have equal rights in decision-making regarding the company. When Metsä-Serla became a subsidiary of Metsäliitto, the Serlachius family sold its Metsä-Serla shares and they were compensated with shares owned by Metsä-Serla in Repola to a value matching their holding in Metsä-Serla. This share swap took place the following year in 1992 (6). These events were interlinked and

the former was an amicable intrasphere episode until the Serlachius family opposed it and it became in the next phase a combative episode.

Over the next three years the Agricapital Sphere actively strove to strengthen Metsä-Serla by means of acquisitions. In 1993 and 1994 the Agricapital Sphere found itself twice on a collision course with the State Sphere. On both occasions, the attempted acquisitions of Tampella's forest industry units (7) and of the minority shareholding in Veitsiluoto (9), the Agricapital Sphere was defeated by Enso-Gutzeit from the State Sphere. The Agricapital Sphere was very dissatisfied with the outcome of these two struggles and accused the top politicians who made the decisions in the State Sphere of unjustly favouring Enso-Gutzeit. Both events were opening, very combative intersphere moves by the Agricapital Sphere.

In 1993 the Agricapital Sphere entered into intersphere cooperation with the KOP-Pohjola Sphere. The Metsäliitto Cooperative and Metsä-Serla established a new pulp company, Metsä-Rauma, with United Paper Mills of the Repola Group in the KOP-Pohjola Sphere (8). At the end of the period under study in 1995, the Agricapital Sphere made a new strategic alliance with Myllykoski (11), an old family-owned paper company, and it announced its willingness to buy Enso-Gutzeit from the State Sphere (10). In 1995 Metsä-Serla also acquired an old family-owned papermill, Kyro Oy. The Metsä-Rauma arrangement as well as the Myllykoski alliance were opening cooperative moves. The Myllykoski alliance did not affect any other spheres, since Myllykoski was not part of one. The move involved finished products (paper), and sales and marketing. The Metsä-Rauma alliance was for its part an amicable intersphere episode involving semi-finished products (pulp) (Figure 10.11).

The Agricapital Sphere may be seen as acting more as a collective force without many visible key figures apart from Mr. Wuoti and his successor, Mr. Matti Puttonen, one of the architects of the attempted takeover of United Paper Mills. One possible explanation for this is the cooperative tradition lying behind the sphere's business activities. The plans were made and executed by a group of people who were not really visible or identifiable outside the Agricapital Sphere. Another feature typical of the Agricapital Sphere was its aspiration to increase its influence in the forest industry sector. The Agricapital Sphere was very active, even aggressive in its attempts to strengthen its role in the Finnish forest industry. This hunger for growth and increased influence was the result of the ownership structure of the Metsäliitto Cooperative. The private forest owners, who own over two thirds of the woodlands, are of course very much interested in having in their own hands as big as possible a user for their wood.



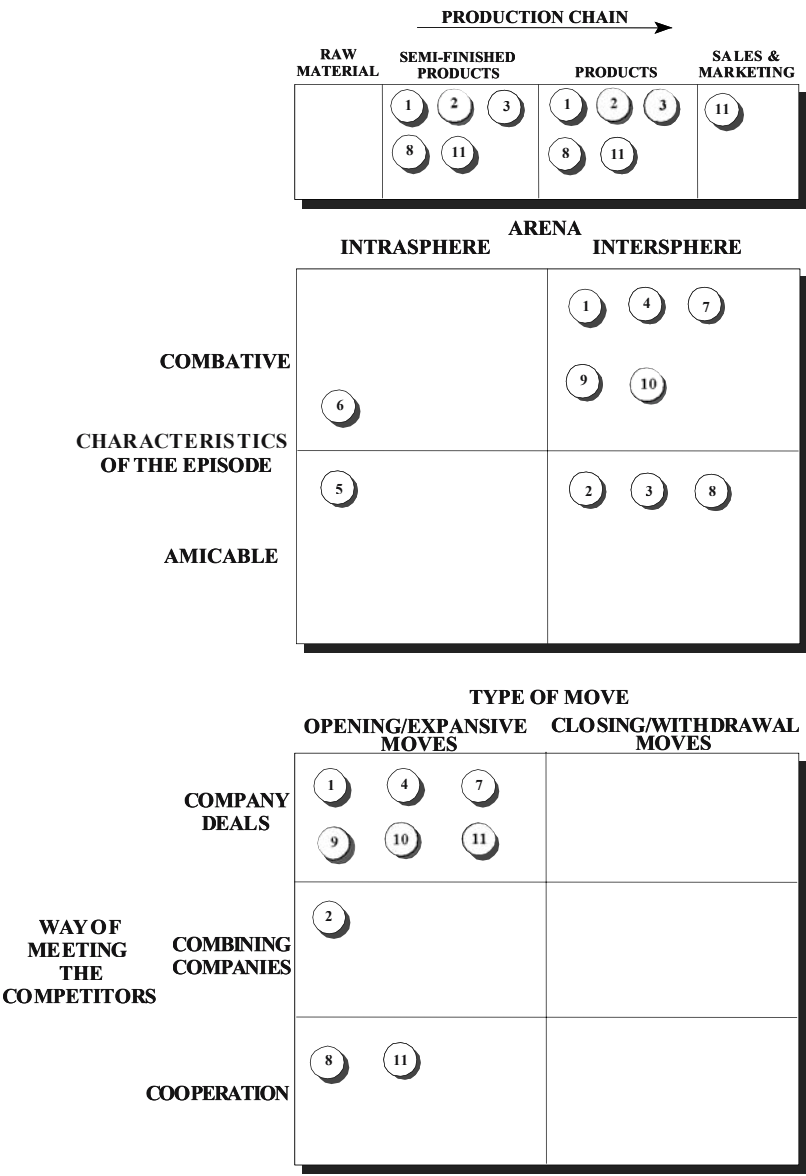


Figure 10.11. Events and moves in the Agricapital Sphere.

5.5 Putting It in a Nutshell

We have been observing chains of events along four paths. The tales have been lively and each has been unique. The key word describing all of these chains is, however, consolidation which seems to be the case globally as well (see Lamberg;

Lamberg; Ojala and Lamberg; Ahola; Melander, in this volume). Each grouping tried to become stronger by concentrating, and in some cases by co-operating. A comparison of the overall progress made by each sphere reveals consistencies in their strategic gamesmanship. It is time now to summarize, interpret and speculate on these developments and to speculate, too, on the applicability of the instruments we have used to explore these developments.

6 DISCUSSION AND CONCLUSIONS

It is time to turn to the big picture. We will proceed first by describing and interpreting the empirical strategy processes in their entirety. Only then will we start speculating on the definable empirical findings and the relevance of our conceptual approach.

6.1 Empirical Outcomes Interpreted

To outline a synthesis of the strategies followed by the different spheres and their flagships we will utilize our gamesmanship frameworks. When we start by observing the foci of the moves in the different spheres, we cannot recognize any differences between the flagship companies of the four spheres. All the spheres concentrated on strengthening their semi-finished and final product sections of the chain, as depicted in Figure 10.12.

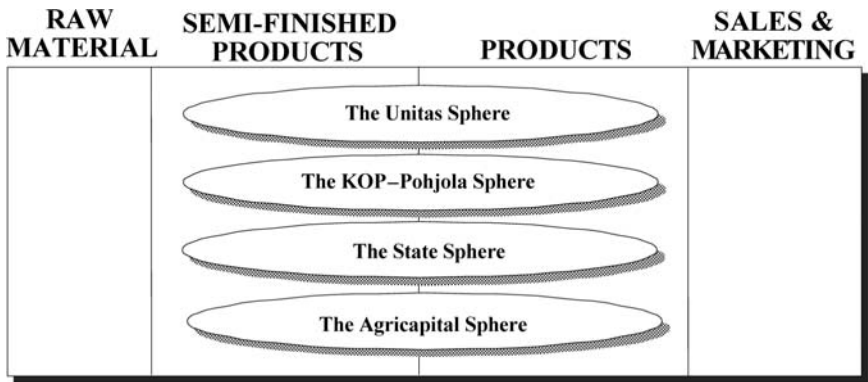
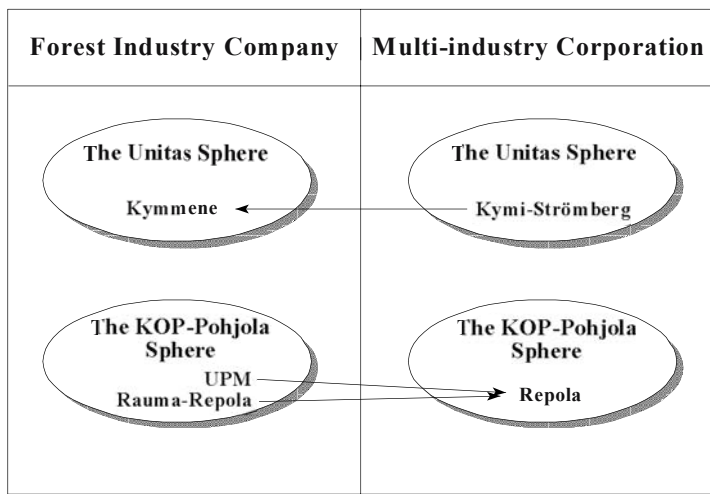


Figure 10.12. The nature of the game: the strategic foci of the different spheres.

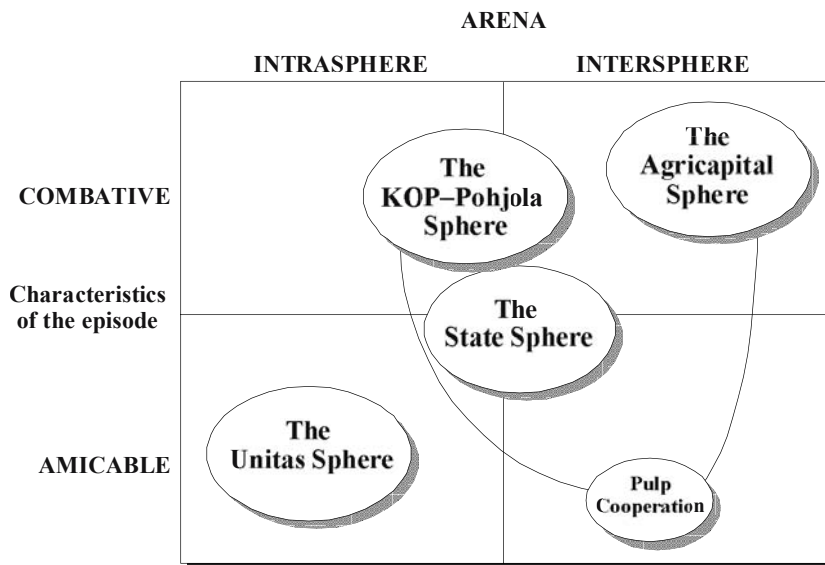
It has to be noted that at the next lower level of analysis, the product assortment level, we would have found many differences between the flagships, since all of them gradually specialized on certain core product groups. However, when the development is analysed through the other two frames of reference, noteworthy differences are revealed. The evolution within the Unitas Sphere mainly followed the route of internal development dominated by amicable intrasphere activity, which resulted in the formation of Kymmene.

The change process in the KOP-Pohjola Sphere took a rougher path. It began by the sphere taking an active part in the Great Northern War and continued by internal construction. This building work was not amicable. The sphere again found itself in the middle of a combat zone when Metsä-Serla attacked United Paper Mills. What is interesting to compare at this point is the direction of change in the corporations of both the Unitas and the KOP-Pohjola Spheres. Kymi-Strömberg was moulded from a multi-business corporation into a forest industry company, whereas in the case of the KOP-Pohjola Sphere the development took the opposite direction: from forest industry company into a multi-business one. The first process was a clear streamlining one. The second process on the contrary widened the scope of operations to include unrelated businesses, which, taking into account the then prevalent tendency in business towards concentrating on core businesses was an atypical move. The two processes are outlined in Figure 10.13.



**Figure 10.13.** Two flagship change processes.

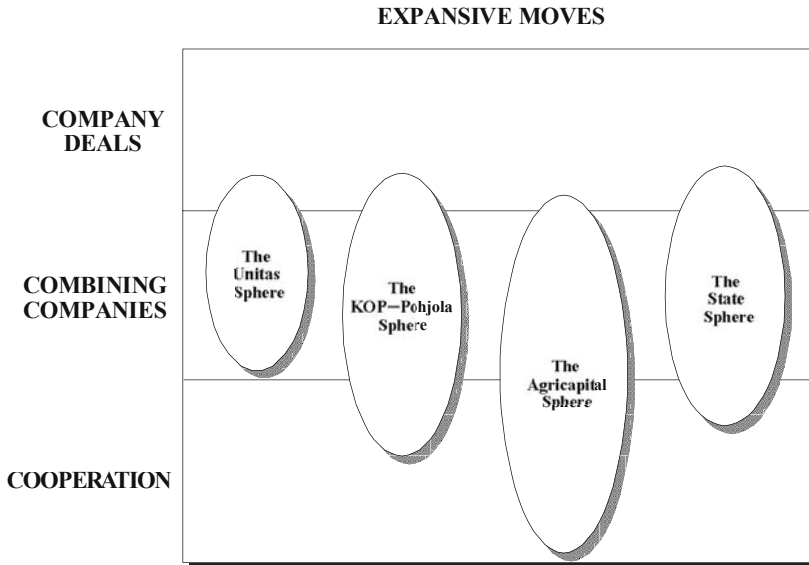
The Agricapital Sphere's story is an account of an extremely active player. The Agricapital Sphere was always around when something was happening, and it was there as an aggressive player. As a consequence, the game atmosphere tended to be combative, and the arena in which the game was played was usually an intersphere one. Unlike the Agricapital Sphere, the State Sphere obviously wanted to construct its path peacefully, but it could not do so since a lot of tension arose along the way and this tension was generated both inside and outside the State Sphere. Figure 10.14 displays the spheres located in the second frame of reference according to their strategic focus.



*Figure 10.14. The nature of the game: the strategic foci of the different spheres.*

The strategy of the Unitas Sphere was mainly intrasphere and amicable by nature. The KOP-Pohjola Sphere can be placed mainly on the combative side. It covers the sections of both intrasphere (Joutseno Pulp, Kajaani) as well as intersphere (The Great Northern War, Repola merger) activity. The location of the Agricapital Sphere is the easiest one to identify: it is the combative, intersphere corner. Finally the State Sphere has ingredients from all four sections, the Veitsiluoto and Tampella developments being highly combative and both intrasphere and intersphere by nature, the Tervakoski deal being intrasphere and amicable, and finally the dealings with Ahlström being intersphere and also amicable by nature. The picture is completed by marking the alliance between the KOP-Pohjola and Agricapital Spheres. Although for the most part they were fierce rivals, they did embrace to establish a new pulp company, which they both needed to secure an adequate raw material flow.

When moving to the third frame of reference we again find clear differences. We will limit our examination to the expansive activity only, since the major differences between the spheres are most noticeable there. The strategy of the Unitas Sphere was that of company deals and mergers. The KOP-Pohjola Sphere engaged in alliances in addition to deals and mergers. The Agricapital Sphere used alliances not only in the pulp industry but also with entire companies, as the case of Myllykoski shows. Deals (Kyro) and mergers (G.A. Serlachius) were also utilized as a means of expanding. The State Sphere followed the merger strategy and it is obvious that it only used deals when preparing a merger, as is outlined in Figure 10.15.



**Figure 10.15.** *The nature of the game: the strategic foci of the spheres related to expansive moves.*

The path taken by the Unitas Sphere was for much of the time one of internal development, its strategy being mainly one of an intrasphere, amicable nature until the last big move was performed and UPM-Kymmene took shape.

At the beginning of the period the KOP-Pohjola Sphere was involved in a prolonged intersphere struggle, after which it embarked on a longish period of internal construction work. This internal construction was interrupted by the launching of the Agricapital Sphere's assault on United Paper Mills, which led first to the birth of Repola and finally to a shotgun marriage with Kymmene.

The strategy of the Agricapital Sphere may be characterized with good reason as an intersphere one throughout the whole period. Its strategy was usually combative, but as far as pulp companies were concerned, it was also prepared to pursue an amicable, alliance-based strategy. Whenever something big was happening, the Agricapital Sphere seemed to be involved.

The State Sphere expanded mainly through intrasphere company acquisitions and mergers, but nearly all moves contained an intersphere element and combative character, especially in dealings with the Agricapital Sphere.

## 6.2 General Findings Based on the Empirical Gamesmanship Study

In our view gamesmanship ideas and concepts form a serviceable set of instruments for the study of our subject. It is obvious that such a set of tools can be used to perceive the course of events in many other industries, especially ones where the overall character, structure and history resemble the subject of our study. It is furthermore highly probable that the utility of the approach is not restricted just to a

certain geographical area. We are prepared to claim that the global game in the forest sector could be delineated with the help of gamesmanship tools, too. Of course, a global analysis would be a much more difficult undertaking. Many more players with different backgrounds in varying geographical, political and cultural contexts would have to be included in the analysis in order to get the total picture.

To sum up, in our view the gamesmanship perspective is appropriate for the analysis of industry-level formation and restructuring processes. It is especially well suited for analysing courses of events where competitive tension is great, and the need for concentration is pressing.

The second area where the value of the gamesmanship approach is readily apparent is in the strategy tracking of individual companies (or in this case spheres and companies). When the moves of the spheres were analysed, it was possible to discern common threads, that is, strategies. The final strategic development sometimes seemed to take shape under the pressure of alternating forces and counterforces, as we observed, for example, in the Great Northern War, the formation of Repola, or in the several struggles between Enso-Gutzeit and the Agricapital Sphere. Thus, strategic development progressed only partially as planned, and some of the time it took odd and unanticipated turns because of outside pressures.

The empirical characterization of strategies, however, conjures up an a major difference between our game entity and the original version of game theory: the empirical game typically does not end. There is a good reason to make a distinction, as Carse (1986) does, between finite and infinite games. In his view a finite game is played for the purpose of winning, while the purpose of an infinite game is to continue the play. Events or episodes in the forest sector come to an end, but the situation at the end of an episode is merely the starting point for new events. Only in a situation where an entire industry disappears is it justifiable to talk about the end of the game. Normally companies are born, they die and merge with others, and it is the game that continues in a new setting with another cast of players. Another major difference between our empirical analysis and game theory is that the situation at the start cannot really be perceived at a single glance. Behind every situation there is a history, often a long one. Any given situation is a result of earlier events, one consequence of earlier planned and/or realized strategies. Thus, moves and countermoves cannot be explained solely with the rational logic which a game theoretic view of the situation would elicit. It needs to be emphasized that our approach brings a much needed comprehensiveness and a taste of reality, but it also produces loose and undefinable elements.

The third area on which our approach can shed a lot of light is the human side of strategy-making. Successful strategists are blessed with fox-like cunning. What is more significant, though, is that their knowledge of the total picture is limited. The time available for reflection when a decision is being made seems to vary. Sometimes there is no hurry at all and outcomes emerge gradually, as happened in the long duel between Enso-Gutzeit and Veitsiluoto. Sometimes, however, decisions must be made in a desperate hurry, as was the case with the KOP-Pohjola Sphere when the Agricapital Sphere launched its attack. Thus it seems that the type of logic which the players used was highly subjective. In addition, the moves in our pattern

of play were not merely matters of decision-making. It has to be understood that a great deal of networking, lobbying and leadership was needed in most episodes. This observation is far removed from the world of traditional game thinking.

There is one more important feature in our way to use the gamesmanship frame of reference. This is the idea of our frame of reference being a metaphor, which is our fourth theme of discussion here. The use of metaphors in itself is a convenient, simple and effective way 'to say it in other words' (see Morgan 1993). A typical motive for the use of metaphors is that they facilitate the understanding of abstract subject matters in concrete and familiar terms (Gibson & Zellmer-Bruhn, 2001). But at the same time, there is the problem of the metaphor's contractual nature, a dilemma seldom explicitly underscored. It happens to be the case that we may see our subject with the aid of the game-playing metaphor (both as a general idea and in a detailed way), but we do not have to see it like this.

The contractual nature of metaphors raises another important issue. When describing the moves of our game, we used three basic frames of reference. Why three? Why not use two or six? There are no rules for laying down the 'right' number of reference frameworks in situations like this. A suitable number must be justified and we believed that in this case three was sufficient for dealing with spheres, companies and key individuals.

This is not all, however, that we have to say about conceptual and theoretical issues. There are still some issues related to the intrinsic nature of playing and the playing field that need to be dealt with. When we use the word 'game' it usually brings to mind things like ice-hockey, soccer, volleyball, tennis, marathon running, discus throwing, motor racing, chess, bridge or poker. In other words: sports, gambling and pastimes. The relationship between a real game and our metaphorical strategy game is our fifth topic of discussion.

In sport or gambling, of course, there is a large number of elements which can be found in business (Clancy 1989) or, in our case, strategy-making. Sports and strategy-making are both goal-orientated and directed towards success. Cooperation and teamwork as well as leadership play an important role. These features are represented in sport in coaching, captainship and heroism. The difficulty of achieving anything and the satisfaction that achievement brings are common to both. Success in business or top-level sport is not possible without the expenditure of enormous effort. Gambling, in addition, resembles strategy-making in that it involves risk. Players, winning and losing, rules, playing fields, and time constraints are, however, things that are strictly defined in sport. Without such definitions no sport or gambling game would have an end, nor would there ever be any result.

Sport and gambling, with the clear characteristics we have just mentioned, are manifestly finite games; in both the game has an end and a clear winner. Strategy-making meets these preconditions for a finite game either only loosely or else not at all. Winning and losing are not clear concepts as in sport. In the cases studied here it is usually possible to name a winner, but sometimes there were several winners, and sometimes there was no clear result. The boundaries of the playing field do not limit individual players; a player may expand from being a single-industry corporation into a multi-industry one, or they may take the opposite route.

Rules in business mean that the players should conform to the laws and customs of the country. This brings in a lot more flexibility than in sports or gambling. When it comes to moves, a much greater degree of freedom is also allowed in business life than in sport, where normally all permitted and prohibited activities are explicitly listed and known to the parties involved. As to the scope of activities covered in moves in business, there is a rich assortment available beyond those covered by our three frameworks; moves can, for instance, involve product selection, markets and segments, distribution channels, technology alternatives, variations in raw materials or modes of financing.

As we determined earlier, it is vital to understand that the game we have examined here was infinite; it has not ended. As a result of the forest game described above, there were fewer competing spheres and companies left. The game, however, went on, and on the wider international playing field it was being played with greater enthusiasm than ever before as is apparent based on the case evidence presented in this volume. Moreover, within the economic context there was a new governmental and intergovernmental institution, the European Union, which, by preventing megamergers does not even allow the game to end in any field of activity because competition is felt to be beneficial for mankind.

As far as the motives of individual players of the infinite games in our study are concerned, however, it seems most likely that they were not participating in the game for the sole purpose of continuing it. We believe that their motivation was probably more egocentric. Naturally they wanted the game to go on, since the continuation of the game gave them the only possibility to achieve their goals: the success of the sphere, and of their companies and their own personal success as individuals. In 1983 Donaldson and Lorsch published a study of contemporary American business leaders entitled 'Decision Making at the Top'. The authors concluded that their leaders were fundamentally gamesmen, people motivated to win the game they were playing. The authors of this chapter claim that this holds true in Europe, too.

The key elements of the strategic gamesmanship approach are the concepts of man, strategy, players, arena and moves. Game-playing means intentional action. The players are bounded as to their rationality, they are often not well aware of the true situation in which they are playing and they are also often satisfied with disoptimal outcomes. The arena, then, is a concrete platform of players, like an industry, a mixture of industries or set of clusters. Moves refer to deeds, and typically different players have a wide repertoire of moves to select from. All this takes place in a very human setting where business, social and cultural elements are inseparable. This gamesmanship thinking, finally, is located between game theory and game philosophy, in the middle of the game continuum together with other less rigorous schools such as implicit and explicit game approaches as well as the politicking sect.

Clearly, we do not have a sophisticated strategic gamesmanship theory, yet. We have only embarked on the work, but the subject is so fascinating that the effort will not be in vain. It is well worth remembering what Andrew Carnegie (Winkler 1931) had to say about the matter: 'Business is the greatest game in the world.'